

COUNCIL ON PENSIONS AND INSURANCE

Amendment No. 1 to SB0330

McNally
Signature of Sponsor

FILED

Date _____

Time _____

Clerk _____

Comm. Amdt. _____

AMEND Senate Bill No. 330*

House Bill No. 462

by deleting all language after the enacting clause and by substituting instead the following:

SECTION 1. Tennessee Code Annotated, Section 8-37-104(a), is amended by adding the following new subdivision at the end thereof:

(10)(A) The board of trustees shall have the power and authority to establish an investment policy to permit the retirement system to invest system assets in private equity. Private equity investments shall be limited to domestic and international venture capital, corporate buyouts, mezzanine and distressed debt, special situations, and secondary funds. Private equity investment vehicles may include, but are not limited to, limited partnerships, private placements, co-investments, funds-of-funds, and commingled funds. No investment may be acquired which would, at the time of the acquisition, cause the aggregate book value of all of the retirement system's holdings and investments in private equity to exceed more than five percent (5%) of the market value of the total assets of the retirement system. The private equity investment policy shall address:

(i) Diversification of risk, including but not limited to, controlling financing stage, investment timing, industry and general partner concentration, appropriate sizes for investments, and operational risks. The risks associated with private equity investments shall be viewed within the context of the entire portfolio;

(ii) The process for, and factors used in, selection of investments. All private equity investment proposals must meet standards established for such investments by the board of trustees. Prior to the system's consideration of a specific investment proposal, such proposed investment must be determined as

complying with the system's standards by an experienced, independent third party advisor selected by the retirement system;

(iii) Types of private equity investments;

(iv) Length of contractual obligations;

(v) Roles of retirement system staff, consultants, the investment advisory council, and the investment committee of the board of trustees; and

(vi) a process for disclosure to the audit committee of the board of trustees the names of any persons or entities who bring specific private equity investment proposals to any retirement system employee or board member who has a role in determining whether retirement system assets should be invested in the private equity investment.

The investment policy adopted by the board pursuant to this subdivision (a)(10) shall be approved by the Legislative Council on Pensions and Insurance.

(B) The board of trustees shall invest and manage private equity assets solely in the interest of the beneficiaries of the retirement system in a manner consistent with § 35-14-107, the prudent investor rule pursuant to § 35-14-103, the standard of care pursuant to § 35-14-104, and the exercise of reasonable care in delegation of investment and management functions pursuant to § 35-14-111;

(C) Records of the retirement system relating to the identity of the name of the private equity investment vehicle used (such as the name of any limited partnership, the name of the funds-of-funds manager and title of the fund), the amount invested in the vehicle, or the present value of such investment shall be open to public inspection pursuant to title 10, chapter 7, part 5, provided however, such records shall not be public to the extent that: (i) such records contain confidential analyses prepared by the retirement system or provided to the retirement system under a promise of confidentiality, of the future value of such ownership interest, or the future financial performance of the entity, and (ii) disclosure of such confidential analyses would have

an adverse effect on the value of the investment to be acquired, held or disposed of by the retirement system.

SECTION 2. This act shall take effect upon becoming a law, the public welfare requiring it.